

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 4/15/2010
GAIN Report Number: AS1011

Australia

Sugar Annual

2010

Approved By:

Grant Pettrie, Agricultural Counselor

Prepared By:

Mike Darby, Agricultural Specialist

Report Highlights:

The Australian sugar industry appears to be in the process of a strong recovery following years of poor profitability and declining production. High prices, combined with improved seasonal conditions, have seen sugar cane return to land previously deemed unprofitable for cane production. Total area planted to sugar cane in 2010/11 is forecast to increase sharply representing the first significant increase in area planted to cane since 2006/07 and the largest percentage increase for over a decade.

Commodities:

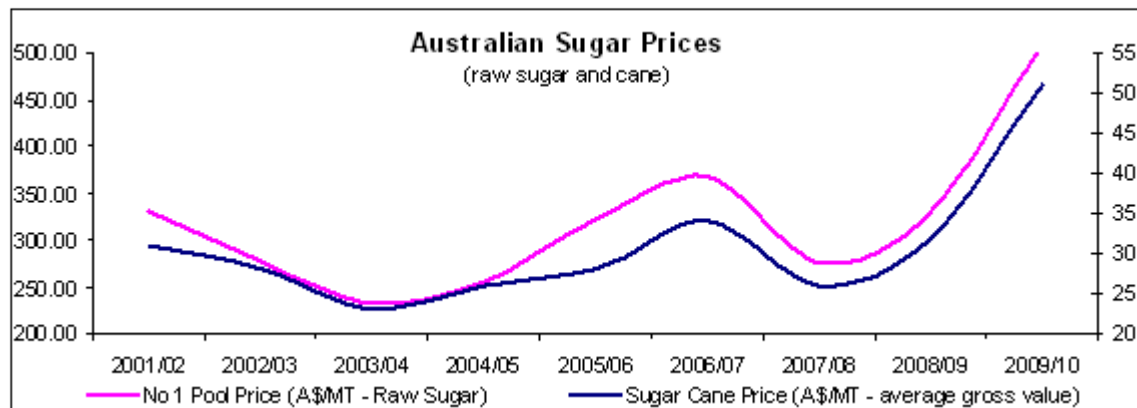
Sugar Cane for Centrifugal
Sugar, Centrifugal

Summary

The Australian sugar industry appears to be in the process of a strong recovery following years of poor profitability and declining production. This recovery has been driven by historically high world prices for sugar which, despite being somewhat constrained by a strong Australian dollar, has pushed domestic prices higher.

High prices, combined with improved seasonal conditions, have resulted in sugar cane returning to land previously deemed unprofitable for cane production. Some sugar mills have provided a bonus scheme for "new land" bought into production and this has assisted the increase in area planted to sugar.

ABARE reports sugar cane pool prices for 2009/10 at around AU\$509 per MT (IPS), up sharply on the revised estimate of AU\$335 for the previous year. Industry contacts believe sugar prices will remain at historically high prices for 2010/11.



Source: ABARE data

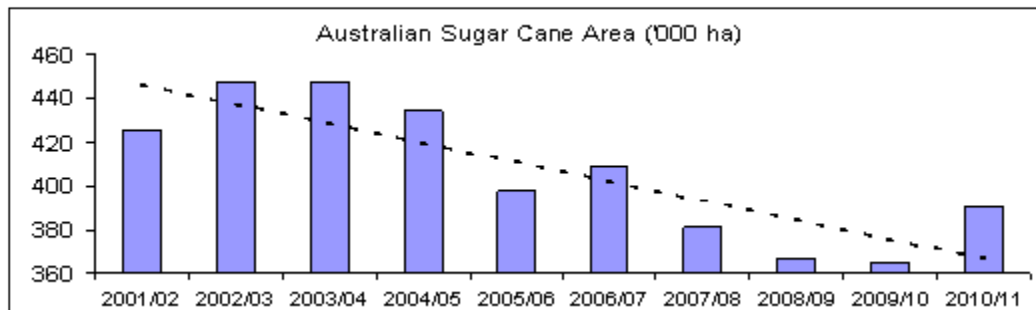
The demise of alternative uses for land suitable for cane production has also assisted an increase in area planted to cane. Fallout from the Global Financial Crisis has caused a sharp fall in the development of farmland for housing and for plantation timber industries using Managed Investment Schemes (MIS) to fund expansion.

Climatic conditions have also improved greatly. Post had previously reported (report #9035) unprecedented dry conditions leading up to the harvest of the 2009/10 crop, which failed to meet earlier expectations despite Post's already modest assessment. Post has cut its estimate of the 2009/10 crop accordingly.

Sugar Cane Area (cut for crushing)

Total area planted to sugar cane in 2010/11 is forecast to increase sharply to

391,000 hectares. If achieved, this would represent the first significant increase in area planted to cane since 2006/07 and the largest percentage increase for over a decade. Despite the increase, this forecast remains below the ten-year average of 407,000 hectares and equivalent to the area planted in 2008/09.



Source: ABARE data

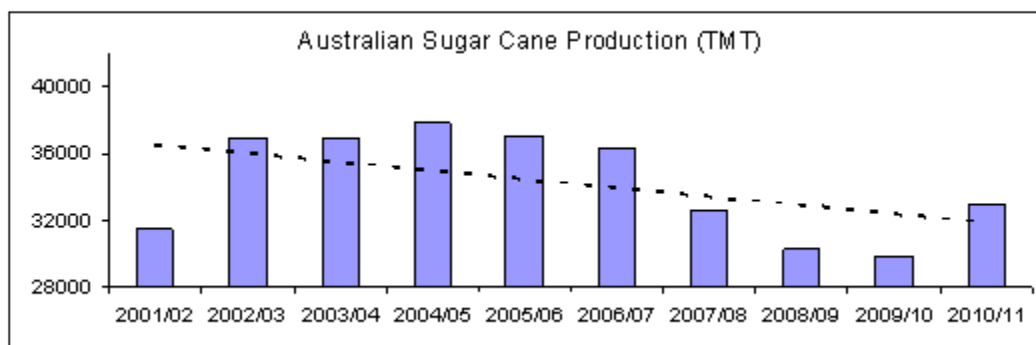
Historically high prices for sugar cane and significant economic problems currently faced by alternate land uses are expected to see area planted to cane increase considerably going forward.

Estimated planted area for 2009/10 has been revised downwards to 365,000 hectares in line with recent ABARE figures. This represents the lowest area planted to sugar cane since 1994/95. Years of poor returns for sugar cane production and fierce competition from other industries, combined with unprecedented dry conditions, resulted in a historically low area planted to sugar in 2009/10.

Post has revised planted area for 2008/09 upwards to 391,000 hectares in-line with recently released Australian Bureau of Statistics (ABS) data.

Sugar Cane Production

Total sugar cane production for 2010/11 is forecast at 33,500 TMT (33.5 MMT) representing the first significant increase in cane production since 2002/03. Historically high prices are expected to cause area planted to cane to increase sharply while average tonnage per hectare is also expected to increase due to declining fertilizer prices and improved climatic conditions.

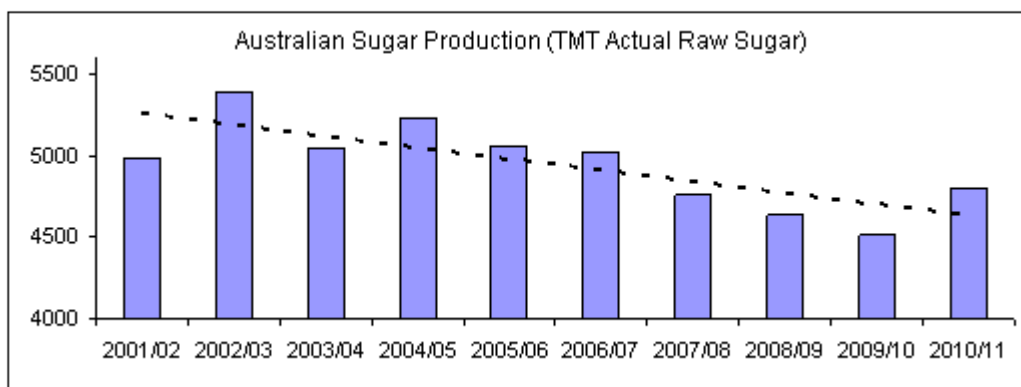


Source: ABARE data

Post's forecast assumes an average cane yield of 85.7 MT per hectare, which would be considered slightly above the ten-year average. Improved climatic conditions and improved fertilizer usage is expected to see cane yields surpass the long-term average in 2010/11.

Sugar Production

Total production for 2010/11 is forecast at 4.98 MMT (IPS), up sharply on the revised estimate for the previous year. This figure would equate roughly to 4.8 MMT in typical raw form using a conversion factor of 1.037. Taking the IPS conversion in account, Post's forecast is directly in-line with ABARE's recent forecast.



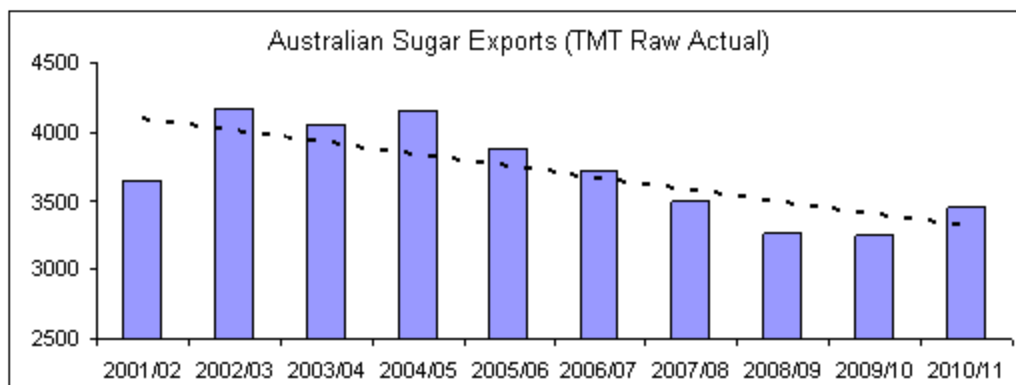
Source: ABARE data

Post has assumed 2010/11 commercial cane sugar content (CCS) of around 14.87 percent, close to the ten-year average. Improved climatic conditions will not likely see CCS exceed this forecast and may create some future downward potential moving forward, depending on rainfall.

Total sugar production for 2009/10 is forecast at 4.7 MMT, down on the previous estimate. During the 2009/10 growing season, unprecedented dry conditions lowered cane yields while competition by other land uses lowered planted area. These factors combined to see production fall below Post's previous expectations.

Exports

Total sugar exports for 2010/11 are forecast at 3.7 MMT, up on the revised estimate of 3.6 MMT for the previous year. Improved production will result in an increased exportable surplus of sugar.



Source: ABARE data

Statistical Tables

Sugar, Centrifugal										
	2009	Revised		2010	Estimate		2011	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		07/2008	07/2008		07/2009	07/2009		07/2010	07/2010	MM/YYYY
Beginning Stocks	400	400	400	451	451	451			310	(1000 MT)
Beet Sugar Production	0	0		0	0	0			0	(1000 MT)
Cane Sugar Production	4,814	4,814	4,814	4,900	4,900	4,700			4,980	(1000 MT)
Total Sugar Production	4,814	4,814	4,814	4,900	4,900	4,700			4,980	(1000 MT)
Raw Imports	4	4	4	4	4	4			4	(1000 MT)
Refined Imp.(Raw Val)	5	5	5	5	5	5			5	(1000 MT)
Total Imports	9	9	9	9	9	9			9	(1000 MT)
Total Supply	5,223	5,223	5,223	5,360	5,360	5,160			5,299	(1000 MT)
Raw Exports	3,322	3,322	3,322	3,500	3,500	3,400			3,500	(1000 MT)
Refined Exp.(Raw Val)	200	200	200	200	200	200			200	(1000 MT)
Total Exports	3,522	3,522	3,522	3,700	3,700	3,600			3,700	(1000 MT)
Human Dom. Consumption	1,250	1,250	1,250	1,250	1,250	1,250			1,250	(1000 MT)
Other Disappearance	0	0	0	0	0	0			0	(1000 MT)
Total Use	1,250	1,250	1,250	1,250	1,250	1,250			1,250	(1000 MT)
Ending Stocks	451	451	451	410	410	310			349	(1000 MT)
Total Distribution	5,223	5,223	5,223	5,360	5,360	5,160			5,299	(1000 MT)

Sugar Cane for Centrifugal										
	2009	Revised		2010	Estimate		2011	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate	USDA Official	Post Estimate	Post Estimate	USDA Official	Post Estimate	Post Estimate	

			New			New			New	
Market Year Begin		09/2008	09/2008		09/2009	09/2009		09/2010	09/2010	MM/YYYY
Area Planted	0	0			0	0			0	(1000 HA)
Area Harvested	390	380	391		379	365			391	(1000 HA)
Production	34,000	31,732	31,500		32,000	30,000			33,500	(1000 MT)
Total Supply	34,000	31,732	31,500		32,000	30,000			33,500	(1000 MT)
Utilization for Sugar	34,000	31,732	31,500		32,000	30,000			33,500	(1000 MT)
Utilization for Alcohol	0	0	0		0	0			0	(1000 MT)
Total Utilization	34,000	31,732	31,500		32,000	30,000			33,500	(1000 MT)

Recent Reports from FAS/Canberra

The reports listed below can all be downloaded from the FAS website at: <http://www.fas.usda.gov/scripts/AttacheRep/default.asp>.

Report Number	Title of Report	Date
AS2010	Cotton and Products Annual	03/29/10
AS1009	Grain and Feed Annual	03/16/10
AS1007	Wine Annual 2010	03/01/10
AS1006	Livestock and Products Semi-annual 2010	03/01/10
AS1005	Government announces Ag Research Initiative to Increase Productivity & Cut Carbon Emissions by 50 percent	02/18/10
AS1004	Australian Container exports rise	02/02/10
AS1003	Grain & Feed Lock-Up – February 2010	02/01/10
AS1001	Commercial Cultivation of GM Canola Approved in 3rd Australian State	01/27/10
AS9042	Fresh Deciduous Fruit Annual 2009	12/24/09
AS9041	Australian Emissions Trading Scheme Excludes Agriculture	11/19/09
AS9039	Citrus Annual 2009	11/09/09
AS9038	Grain & Feed Lock-Up – November 2009	10/29/09
AS9037	Dairy and Products Annual 2009	10/20/09
AS9036	Ord River Irrigation Offers Huge Potential and Ongoing Challenges	10/13/09
AS9035	Sugar Semi-Annual 2009	09/30/09
AS9033	FAIRS Export Certificate Report	09/02/09
AS9032	Livestock and Products Annual	09/01/09